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Report Highlights:

Post forecasts production of major oilseeds at 8.1 million metric tons (MMT), including 6.7 MMT of sunflowerseeds, 680,000 metric tons (MT) of soybeans, and 720,000 MT of rapeseeds. Russia's imports of these three oilseeds will be 450,000 MT, including 440,000 MT of soybeans. Exports will be 240,000 MT, including 100,000 MT of sunflowerseeds and 110,000 MT of rapeseeds. Oilseeds crush will increase from last year by 0.9 MMT to 7.7 MT to produce 2.9 MMT of vegetable oil and 3.4 MMT of oilseed meal. Sunflowerseed oil prices are decreasing, pushing down demand and prices of sunflowerseeds.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

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Executive Summary

Post adjusted major oilseed (sunflowerseed, soybean, rapeseed) production forecast from 8.06 Million metric tons (MMT) to 8.1 MMT due to increased forecast of sunflowerseed crop by 50,000 metric tons (MT) to 6.7 MMT. Rapeseeds production is lowered by 30,000 MT to 720,000 MT due to decrease in yields. Meantime, soybean production forecast is increased by 20,000 MT to 680,000 MT due to good weather conditions in the Far East.

Oilseed (sunflowerseed, soybean and rapeseed) imports will be 450,000 MT, including 440,000 MT of soybeans. Exports will be 240,000 MT, including 100,000 MT of sunflowerseeds and 110,000 MT of rapeseeds.

Post forecasts oilseeds crush at 7.72 MMT, including 6.08 MMT of sunflowerseed, almost 1.07 MMT of soybeans, and 575,000 MT of rapeseeds. Production of vegetable oil might increase from 2.5 MMT in MY 2007 to 2.9 MMT in MY 2008. Production of oilseeds meal will increase from 3.0 MMT to 3.4 MMT.

Prices of sunflowerseed oil continue to decrease, and experts forecast that the small crushing companies will be pushed from the market. Along with decreasing demand, prices of sunflowerseed also decreased.

2008 Oilseeds Production

Harvest Progress

According to Russia's Ministry of Agriculture, Russian farmers harvested sunflowerseed on 976,600 hectares (15.8 percent of the estimated harvest area) by September 22, 2008. Production on this area was 1.7 MMT. The average yield was 1.75 MT/ha, 0.29 MT/ha more than last year. However, experts consider that as harvest moves north of Karsnodar kray sunflowerseed yields will decrease due to unfavorable July weather in the European Black Earth territories and due to traditionally low sunflowerseed yields in Volga Valley, Ural and Siberia. Yields in Voronezh, Belgorod and some other major sunflowerseed territories will be slightly lower than last year. The final average yield will be close to last year's, and increases in production are attributed only to an increase in harvested area. There is no official data on the progress of soybean and rapeseed harvest, but sources report that rapeseed has been harvested on most of sown area, and that production will exceed last year's level by at least 8-10 percent. Analysts forecast rapeseed production at 680,000 – 720,000 MT. Soybean harvest is at the very beginning, and yields are higher than last year. Analysts forecast soybean crop at 630,000 – 680,000 MT.

Production Forecast

Post increased major oilseed (sunflowerseed, soybean, and rapeseed) production forecast by 40,000 MT to 8.1 MMT due to increased forecast of sunflowerseed crop by 50,000 metric tons (MT) to 6.7 MMT. Rapeseed production will be 720,000 MT, 30,000 MT decline from the previous forecast. Soybean production forecast is increased by 20,000 MT to 680,000 MT due to favorable weather in the Russian Far East. Russian experts forecast sunflower seed production at 6.6-6.8 MMT in the bunker weight.

Bunker vs. Clean Weight

Official data of oilseeds production are reported only in the bunker weight. However, experts in oilseeds crushing deduct 7-10 percent from sunflowerseeds' bunker weight to get the clean, or "crusher's acceptance" weight of sunflowerseeds. This deduction is called "loss

allowance" (refaction) rate¹. This clean weight is used for calculation of actual oil production. Thus, experts' estimates and forecasts of vegetable oil production differ from oil production calculated on the bases of bunker weight.

2008 Crush Forecast

Russia's present total crushing capacity (including new and old crushing plants and shops) is estimated at 8.0 MMT – 9.0 MMT. In MY 2008 the modern portion of crushing capacity will increase due to the operation of several new crushing plants in European Russia. The total crushing capacity will not grow significantly, because old plants and shops could be closed. However, the old and the new crushing facilities can process up to 8.5 MMT of oilseeds. Post forecast that in MY 2008 the total crush of major oilseeds will increase from 6.8 MMT in MY 2007 to 7.72 MMT in MY 2008. Sunflowerseeds crush is forecast at 6.08 MMT, a 16 percent increase from last year. Soybeans crush will continue to increase due to increased crushing at Kaliningrad's plant. The total crush of soybeans will increase from estimated 995,000 MT in MY 2007 to almost 1.07 MMT in MY 2008. Crushing of rapeseeds will increase from 560,000 MT in 2007 to 575,000 MT in 2008².

Vegetable Oil Production Forecast

Given the standard extraction rates, production of vegetable oil from the three major crops will increase from 2.5 MMT in MY 2007 to 2.91 MMT in MY 2008. Production of sunflowerseed oil is forecast at 2.49 MMT (up from 2.13 MMT in MY 2007), soybean oil production will be 192,000 MT (17,000 MT increase from MY 2007), and rapeseed oil forecast is 224,800 MT (in MY 2007 – 200,000 MT).

Russian experts forecast vegetable oil production in MY 2008 at 2.6 – 2.8 MMT, including 2.4-2.5 MMT of sunflowerseed oil, 180,000 -190,000 MT of soybean oil. Forecast of rapeseed production vary significantly, from 100,000 MT to 220,000 MT, as data on rapeseeds crushing is not accurate. Increased vegetable oil production coupled with significant carry-over stocks of vegetable oil³, will continue to push vegetable oil prices down, and by summer 2009 may decrease stimuli for expansion of area sown to oilseeds, especially sunflowerseeds.

Oilseeds Meal Production Forecast

Given the standards rates of crushing, production of oilseeds meal in MY 2008 is forecast at 3.43 MMT, or 400,000 MT increase from MY 2007. Sunflowerseeds meal production may increase by 290,000 MT to 2.26 MMT, soybean meal output is likely to increase by 68,000 MT to 831,000 MT, and rapeseeds meal production will increase by approximately 10,000 MT to 337,500 MT.

Trade

MY 2007 Estimate and MY 2008 Forecast

In MY 2008 Russia will export 215,000 MT of oilseeds, including 100,000 MT of sunflowerseeds. In MY 2008 Russia's competition with Ukraine in the sunflowerseed markets

¹ According to experts from one of the major Russia's oilseeds crushing company "Efko", loss allowance rate in 2008 will be close to 7 percent of bunker weight.

² Oilseeds industry's experts base their estimates and calculations on the clean weight of oilseeds, that is by 7-10 percent lower than the weight reported by Russia's official statistics.

³ Experts estimate stocks of vegetable oil, primarily sunflowerseed oil, at the beginning of MY 2008 at 120,000 – 130,000 MT.

will increase. Potential to increase export will depend on lifting or reduction of export tariffs. The present export tariff on sunflowerseeds is 20 percent but not less than 30 Euro per MT, export tariff on soybeans is 20 percent, but not less than 35 Euro per MT, and export tariff on rapeseeds is 15 percent, but not less than 30 Euro per MT. Russian experts do not expect any changes in this policy.

In MY 2007 Russia exported 37,000 metric tons of sunflowerseeds, including 20,800 metric tons were exported to Kazakhstan, and 4,700 metric tons – to Azerbaijan. Exports to Spain were 3,400 metric tons, and 2,800 metric tons were exported to Syria. Russia's imports of sunflowerseeds did not exceed 10,000 MT.

Russia increased imports of soybeans from 34,000 MT in MY 2006 to 442,000 MT in MY 2007, including 380,000 MT were imported from Brazil. Other soybeans were imported from Ukraine (32,940 MT), and Paraguay (27,230 MT). Imports from other 7-8 countries did not exceed 700 MT. Imports of soybeans from the U.S. in MY 2007 were 235 MT. Exports of soybeans were 5,000 MT, mostly to China.

Russia's exports of rapeseeds in MY 2007 (July – June) were 65,000 MT, including 17,660 MT to the Netherlands, 17,540 MT – to Denmark, 10,000 MT – to Lithuania, and 9,330 MT – to Germany. Exports to other countries did not exceed 3,000 MT. The last shipment of rapeseeds in MY 2007 was in January. Exports resumed only in August 2008 with the first 6,800 MT shipped to Lithuania. Given that the rapeseeds crop's forecast is higher than last year, in MY 2008 exports may reach 110,000 MT.

MY 2007 Trade in Major Oilseeds Products

Vegetable Oil Trade

According to preliminary estimates, Russia's exports of sunflowerseeds oil dropped by more than two times from 710,978 MT in MY 2006 to 328,557 MT in MY 2007, including exports of crude oil decreased from 624,803 MT to 231,078 MT, and exports of refined oil increased from 86,167 MT to 97,479 MT. Experts forecast that in MY 2008 exports of refined sunflowerseeds oil will continue to increase, while crude oil exports will remain stagnant, but experts do not give any figures. In MY 2007 Russia imported 77,230 MT of crude and 63,143 MT of refined sunflowerseed oil.

Along with growing domestic production, Russia continues to import soybean oil, and in MY 2007 soybean oil imports were 117,030 MT, mostly from the Netherlands (63,532 MT) and from Brazil (24,000 MT). In MY 2006 Russia imported only 18,723 MT of soybean oil. Export of soybean oil is still low, although this export is increasing from the crushing plant in Kaliningrad to the Baltic area. In September 2007 – June 2008 Russia exported 6,300 MT of soybean oil, including 3,500 MT to Lithuania and Poland, while in the same period last year, Russia's exports of soybean oil were only 2,300 MT to Mongolia and South Korea.

Exports of rapeseeds oil in MY 2007 (MY for rapeseeds and rapeseeds oil is July – June) were 18,202 MT, and will increase in MY 2008. In July –August, 2008, Russia already exported 10,300 MT of rapeseeds oil.

Oilseeds Meal Trade

In MY 2007 Russia exported 625,300 MT of sunflowerseeds meal, and imported 694,800 MT of soybean meal.

Prices

Sunflowerseed oil prices continue to decrease, and weaken the crushers' demand for sunflowerseeds. Sunflowerseeds were not sold in August, and the first small sales began only in September, 2008. Sunflowerseed prices dropped in this period by 40 percent.

Table 1. Prices of Sunflower seeds and Sunflower Seed Oil, EXW, European Russia

	Jun 27	Jul 11	Jul 25	Aug 1	Aug 8	Aug 15	Aug.22	Aug.29	Sep.5	Sep.12	Sep.19
Rubles per MT											
Sunflowerseeds	17,500	16,720	14,915	14,250	ND	ND	ND	ND	8,625	8,540	8,520
Sunflowerseeds oil, crude, non refined	46,250	44,530	40,700	39,425	37,350	37,125	33,375	30,500	28,500	27,125	25,940
USD per MT											
Sunflowerseeds	748	720	639	609	ND	ND	ND	ND	341	336	337
Sunflowerseeds oil, crude, non refined	1,976	1,917	1,742	1,685	1,518	1,516	1,366	1,236	1,128	1,068	1,027

Source: WJ ProZerno

PSD Tables

Table 2. PSD Sunflower Seeds

Oilseed, Sunflowerseed Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Sep 2006			Market Year Begin: Sep 2007			Market Year Begin: Sep 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Post Oct
	USDA official	Post Old	Data	USDA official	Post Old	Data	USDA official	Post Old	Data
Area Planted	6170	6170	6170	5200	5300	5300	5200	6175	6175
Area Harvested	5900	5900	5900	5000	5006	5006	5900	5950	5950
Beginning Stocks	246	246	246	314	314	314	286	126	157
Production	6750	6750	6750	5650	5657	5660	6700	6650	6700
MY Imports	10	10	10	10	10	10	10	10	10
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	7006	7006	7006	5974	5981	5984	6996	6786	6867
MY Exports	162	162	162	40	35	37	130	100	100
MY Exp. to EU	112	80	80	20	10	10	70	40	40
Crush	5980	5980	5980	5160	5240	5240	6041	6080	6080
Food Use Dom. Cons.	200	200	200	208	240	210	215	200	210
Feed Waste Dom. Cons.	350	350	350	280	340	340	310	250	260
Total Dom. Cons.	6530	6530	6530	5648	5820	5790	6566	6530	6550
Ending Stocks	314	314	314	286	126	157	300	156	217
Total Distribution	7006	7006	7006	5974	5981	5984	6996	6786	6867

Table 3. PSD Soybeans

Oilseed, Soybean Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Sep 2006			Market Year Begin: Sep 2007			Market Year Begin: Jun 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Post Oct.
	USDA official	Post Old	Data	USDA official	Post Old	Data	USDA official	Post Old	Data
Area Planted	850	850	850	900	780	780	950	750	750
Area Harvested	815	815	815	709	705	705	725	710	710
Beginning Stocks	22	22	22	22	19	19	19	24	41
Production	807	740	740	652	600	600	700	660	680
MY Imports	34	34	34	295	395	442	250	410	440
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	863	796	796	969	1014	1061	969	1094	1161
MY Exports	16	16	16	5	5	5	5	20	30
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Crush	805	741	741	925	970	995	925	1045	1067
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0
Feed Waste Dom. Cons.	20	20	20	20	15	20	20	0	20
Total Dom. Cons.	825	761	761	945	985	1015	945	1045	1087
Ending Stocks	22	19	19	19	24	41	19	29	44
Total Distribution	863	796	796	969	1014	1061	969	1094	1161

Table 4. PSD Rapeseeds

Oilseed, Rapeseed Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Post Oct
	USDA official	Post Old	Data	USDA official	Post Old	Data	USDA official	Post Old	Data
Area Planted	512	512	512	570	660	660	650	700	700
Area Harvested	449	449	449	535	535	535	575	650	650
Beginning Stocks	21	21	21	78	78	78	78	50	63
Production	523	523	523	632	632	632	700	750	720
MY Imports	1	1	1	4	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	545	545	545	714	710	710	778	800	783
MY Exports	79	79	79	125	50	65	140	85	110
MY Exp. to EU	65	65	65	85	48	59	85	65	65
Crush	371	371	371	490	588	560	512	645	575
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0
Feed Waste Dom. Cons.	17	17	17	17	22	22	17	25	25
Total Dom. Cons.	388	388	388	507	610	582	529	670	600
Ending Stocks	78	78	78	82	50	63	109	45	73
Total Distribution	545	545	545	714	710	710	778	800	783

Relevant Reports

RS8065 Oilseeds and Products / September Monthly Update
<http://www.fas.usda.gov/gainfiles/200808/146295645.pdf>

RS8059 Oilseeds and Products / August Monthly Update

RS8038 Oilseeds and Products / Oilseeds Annual
<http://www.fas.usda.gov/gainfiles/200806/146294825.pdf>